

Message Text

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PAGE 01 GENEVA 00122 111238Z
ACTION IO-13

INFO OCT-01 EB-07 ISO-00 L-03 ABF-01 TRSE-00 OMB-01 USPS-01
/027 W

-----111241Z 004056 /14

R 111207Z JAN 77

FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 4464

UNCLAS GENEVA 0122

EO 11652: NA

TAGS: ETEL, ITU

SUBJ: ITU-UPU: TAX REIMBURSEMENT

REF: A. STATE 312673, B. GENEVA 75 A-151

1. RE PARA ONE REF A, DEPT IS CORRECT IN ASSUMPTION
THAT INTEREST IS NOT ASSESSED ON TAX REIMBURSEMENT PAYMENTS.

2. MISSION IS MOST PERPLEXED AND CONCERNED ABOUT STATEMENTS
MADE IN PARAS TWO AND THREE RE PAYMENT OF ESTIMATED TAX WHICH
INDICATE POSSIBILITY THAT USG WILL NOT QUICKLY REPAY ITU,
FOR FOLLOWING REASONS:

A. IRS REQUIRES ALL AMERICAN CITIZENS EMPLOYED ABROAD
(WITH EXCEPTION OF USG EMPLOYEES), NOT SUBJECT TO U.S. WITHHOLDING
TAX, TO FILE ESTIMATED RETURN FOR FOLLOWING YEAR AND PAY
ESTIMATED TAX IN ADVANCE. DEPT WILL NOTE THAT ON ITU
BILL ALL AMERICAN CITIZENS HAVE PAID 1976 ESTIMATED TAX, WHOLLY
OR PARTLY, IN ADVANCE (ONLY EXCEPTION IS PATTON WHO LEFT ITU
IN JUNE 1975).

B. IN US-ITU AGREEMENT OF APRIL 7, 1975 (SEE REF B), THE
USG UNDERTOOK TO "PAY ANY TAX REIMBURSEMENTS TO U.S. CITIZENS"
AND IN ADDITION USG "IS OBLIGATED TO PAY A TAX EQUALIZATION
CHARGE AS PART OF ITS ANNUAL PAYMENT TO THE ITU...". DEPT
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WILL NOTE THAT AGREEMENT DOES NOT DIFFERENTIATE BETWEEN PREVIOUS
YEAR AND ESTIMATED PAYMENTS.

3. THUS, ACCORDING TO ABOVE, USG, WHICH MADE ANNUAL PAYMENT
ON DEC 30, 1976, IS CURRENTLY IN ARREARS TO ITU FOR TAX
REIMBURSEMENT PAYMENTS OF SF 195,000 ALREADY MADE BY ITU TO
EMPLOYEES PRIOR TO JULY 1, 1976. AS ITU HAS NO WORKING CAPITAL

FUND, IT SORELY NEEDS THE MONEY WHICH USG RIGHTFULLY OWES IT.

4. UNDER TERMS OF APRIL 7, 1975 AGREEMENT, MISSION CANNOT NOW, SIX MONTHS AFTER PAYMENT WAS MADE BY ITU TO ITS U.S. EMPLOYEES, GO TO SECRETARIAT AND INFORM THEM THAT U.S. "PREFERS TO LIMIT CURRENT PAYMENT TO ITU TO THOSE AMOUNTS APPLICABLE TO YEARS PRIOR TO 1976 TAXES", WHICH AMOUNTS TO ALMOST SF 130,000 OF THE 195,000 TOTAL.

5. AS MISSION VIEWS THIS PROBLEM, ONLY PRACTICAL AND LEGAL SOLUTION IS FOR U.S. TO PAY ITU SF 195,000 SOONEST. IF DEPT INSISTS ON PAYING ONLY PART YEARS CONTRIBUTION IN THE FUTURE, WE BELIEVE APRIL 7, 1975 AGREEMENT MUST BE ABROGATED AND NEW AGREEMENT NEGOTIATED. IF THIS IS CASE, PLEASE PROVIDE DESIRED LANGUAGE. IF DEPT WISHES TO PROCEED ALONG THESE LINES, IT SHOULD BE AWARE OF HARDSHIPS WHICH WOULD BE CAUSED TO ITU AMCIT EMPLOYEES, WHO WOULD BE FORCED IN CASE OF 1977 TAXES TO WAIT 1 1/2 YEARS FOR REIMBURSEMENT.

6. PLEASE ADVISE SOONEST BY PRIORITY CABLE. CATTO

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, INTERNATIONAL ORGANIZATIONS, TAXES
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977GENEVA00122
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770010-0230
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770164/aaaacdt.tel
Line Count: 82
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 311e2fdb-c288-dd11-92da-001cc4696bcc
Office: ACTION IO
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STATE 312673, 77 GENEVA 75
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3627716
Secure: OPEN
Status: NATIVE
Subject: ITU-UPU: TAX REIMBURSEMENT
TAGS: ETEL, AFIN, US, ITU, TRSY
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/311e2fdb-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009